SCHNEIDER DOWNS

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October 6, 2006

John P. Sieminski, Esquire
Burns, White & Hickton
Four Northshore Center
106 Isabella Street
Pittsburgh, PA 15212

and

Thomas E. Reilly, Esquire
2025 Greentree Road
Pittsburgh, PA 15220

Re: WRS, Inc. d/b/a WRS Motion Picture Laboratories v Plaza Entertainment, Inc., Eric Parkinson, Charles von Bernuth and John Herklotz

Dear Mr. Sieminski and Mr. Reilly:

In connection with the above-captioned matter, you have asked us to report on the accounts receivable and related revenue and cash receipts cycles at WRS Motion Picture Laboratories ("WRS") from the period April 1998 through December 2000 in order to determine if these accounting functions were operating in the normal course of business, as well as to determine the reasonableness of the outstanding receivable balance of Plaza Entertainment, Inc. ("Plaza Entertainment") as of December 31, 2000.

This report represents our findings to date. We reserve the right to amend, revise or supplement this report should additional information become available or we be asked to perform additional analysis.

Information Relied Upon

In the course of performing our work on this matter, we have relied upon numerous sources of information. These sources are summarized as follows:

- Aged Trial Balance With Options – Detail Receivables Management Report: Reports were provided by WRS to cover the period April 30, 1998 through December 31, 2000. These reports function as the aged account receivable balance and included all transaction

EXHIBIT 3

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postings such as sales invoices recorded and cash receipts applied to outstanding receivable balance.

- WRS invoices for materials sold to Plaza Entertainment for the period April 30, 1998 through December 31, 2000.
- WRS invoices for finance charges incurred by Plaza Entertainment for the period April 30, 1998 through December 31, 2000.
- National Bank of Canada Account #609362-001 monthly bank statements for the period July 1999 through December 2000.
- National Bank of Canada Account #609362 Fund Manager Lockbox Availability Detail Report for the period July 1999 through December 2000. These reports show daily deposits credited to the bank account.
- Transaction Detail by Account – January through December 1998: Report was provided by Plaza Entertainment and functions as a detail of the general ledger postings for all accounts at Plaza Entertainment. The accounts payable section of this report was utilized during our procedures.
- Plaza Entertainment Detail Historical Aged Trial Balance – Receivables Management Report. Report was provided by WRS and represents the billing WRS was doing on behalf of Plaza Entertainment. Report was dated as of September 4, 2002.
- Plaza Entertainment invoices prepared by WRS in relation to the Services Agreement.
- Meetings with John P. Sieminski (or his representative), John Herklotz, Thomas E. Reilly, and John Napor on May 15, 2006, June 5, 2006, and August 29, 2006. Meetings were held at the offices of Burns, White & Hickton in Pittsburgh, Pennsylvania
- Access to and testing of the aforementioned accounting records and source documents at Burns, White & Hickton on July 31, 2006, August 17, 2006, and August 18, 2006.

Analysis of Information Provided

Based on our understanding of the processes in place at WRS, the accounts receivable and related revenue and cash receipts cycles were analyzed by Schneider Downs & Co., Inc. ("Schneider Downs") in order to determine if these accounting functions were operating in the normal course of course of business as well as to determine the reasonableness of the outstanding receivable balance of Plaza Entertainment as of December 31, 2000.

- **Aged Trial Balance With Options – Detail Receivables Management Report**

WRS provided monthly "Aged Trial Balance With Options – Detail Receivables Management Report" for all months between April 1998 and December 2000. Account Number #124217 represents Plaza Entertainment's account receivable detail on these reports. Monthly reports were examined noting the accumulation of sales and payment postings through December 2000. Specifically, the December 31, 2000 report was utilized for testing, as this report had accumulated all detailed transaction postings for the period April 1998 through December 2000. Total account balance as of December 31, 2000 was $1,270,683.34. Schneider Downs footed this report for mathematical accuracy. No material exceptions were noted in our testing.

- **WRS Motion Picture and Video Laboratory Materials and Finance Charge Invoices**

Schneider Downs selected a sample of both materials and finance charges included on the December 31, 2000 Aged Trial Balance With Options – Details Receivable Management Report for a total sample size of 40 transactions. This sample included the 10 largest sales transactions, 20 random sales transactions and 10 random finance transactions. WRS provided invoice copies as supporting documentation for these transactions. Schneider Downs agreed invoice numbers, descriptions and total charges per the invoice to the Details Receivable Management Report. Additionally, we recalculated the invoices based on quantity and cost per item for mathematical accuracy. No material exceptions were noted in our testing. See EXHIBIT A for testing detail.

- **National Bank of Canada Lockbox Deposits and Payments Received**

WRS provided the December 31, 2000 "Aged Trial Balance with Options – Detail Receivables Management." Using this report, we examined Account #124217 representing Plaza Entertainment's account receivable detail. All transactions marked with "MCBA" or "PYMNT" were extracted from this report. In essence, the extraction represented all payments received into the Los Angeles lockbox -- National Bank of Canada - Acct#609362-001. According to John Napor, WRS representative, of all payments received into the lockbox, one-half (50%) would be retained by Plaza Entertainment and one-half (50%) would be retained by WRS to be utilized to reduce Plaza Entertainment's outstanding receivable balance. As such, Schneider Downs doubled the payment amount noted in the Detail Receivables Management Report and traced the total daily lockbox deposit into both the monthly National Bank of Canada Statement - Account#609362-001 and into a National Bank of Canada Fund Manager Lockbox Availability Detail Report. Schneider Downs noted that, of the 65 total deposits recorded within the account detail from April 1998 through December 2000, 7 deposits could not be traced to National Bank of Canada statements, as these statements were not provided to Schneider Downs by WRS. These cash receipts were shown as reductions to the Account Receivable balance; however, they were not able to be traced to the National Bank of Canada statements.. See EXHIBIT B for testing detail.

- **Plaza Entertainment, Inc. – Transaction Detail by Account**

Mr. John Herklotz provided Schneider Downs with Plaza Entertainment's "Transaction Detail by Account – January 1998 through December 1998." It was represented to us that this report represents the general ledger detail of postings with Plaza Entertainment's accounting system. Specifically, the posting to the Accounts Payable account were examined for transactions with WRS. As only 1998 records were provided, Schneider Downs traced accounts payable transactions recorded by Plaza Entertainment to corresponding invoices sent by WRS for the period April 30, 1998 through December 31, 1998. During this period of time, WRS had presented Plaza Entertainment, Inc with 73 invoices. Of the 73 sent, 41 were agreed to the accounting records of Plaza Entertainment. Schneider Downs was not engaged to verify the accuracy of the accounting records of Plaza Entertainment.

- **Plaza Entertainment Detail Historical Aged Trial Balance Receivables Management Report**

WRS provided a "Plaza Entertainment Detail Historical Aged Trial Balance Receivables Management Report" dated September 4, 2002. This report represents the account receivable for the outsourced billing function that WRS was performing on behalf of Plaza Entertainment. Although this report was dated September 4, 2002, we noted that it only included invoices through December 31, 2000. This report was utilized for testing, since this report had accumulated all detailed transaction postings for the period through September 4, 2002. Total account balance as of September 4, 2002 was $69,330.79. Schneider Downs footed this report for mathematical accuracy. No material exceptions were noted in our testing.

- **Plaza Entertainment, Inc. Invoices Prepared by WRS in relation to Services Agreement**

Schneider Downs selected a sample of invoices included on the September 4, 2002 Plaza Entertainment Detail Historical Aged Trial Balance Receivables Management Report for a total sample size of 25 transactions. WRS provided invoice copies as supporting documentation for these transactions. Schneider Downs agreed invoice numbers, descriptions and total charges per the invoice to the Details Receivable Management Report. Additionally, we recalculated the invoices based on quantity and cost per item for mathematical accuracy. No material exceptions were noted in our testing. See EXHIBIT C for testing detail.

Summary and Conclusion

Based on the procedures that we performed related to this matter, it is our opinion, within a reasonable degree of certainty, that WRS has applied a reasonable basis of accounting related to the accounts receivable, revenue, and cash receipts cycle surrounding the account for Plaza Entertainment and appears to be operating within the normal course of business. Furthermore, the $1,270,683.34 accounts receivable balance for Plaza Entertainment appears to be reasonably stated as of December 31, 2000.

Very truly yours,

Schneider Downs & Co., Inc.

Certified Public Accountants

By: Thomas G. Claassen
Thomas G. Claassen, CPA, ABV, CFE

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